

Message Text

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PAGE 01 STATE 118451
ORIGIN ARA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07
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E.O. 11652:N/A

TAGS: EFIN, EIND, BF

SUBJECT:WASHINGTON POST STORY ON CLOSURE OF MERCANTILE
BANK AND TRUST COMPANY, FREEPORT

1. HEADLINE OF FEATURE STORY ON FINANCIAL PAGE OF MONDAY,
MAY 23 WASHINGTON POST READS QUOTE DC-OWNED BAHAMAS BANK
CLOSING FOR IRREGULARITIES END QUOTE. SUMMARY OF STORY
FOLLOWS.

2. INTERNATIONAL BANK OF WASHINGTON, WHICH ACQUIRED
TWO-THIRDS INTEREST IN MERCANTILE BANK AND TRUST COMPANY
IN 1973, EXPECTS TO LIQUIDATE MERCANTILE UNDER SUPERVISION
OF ITS ACCOUNTANTS AND BAHAMIAN COURTS, DUE TO STILL
UNSPECIFIED IRREGULARITIES DURING PERIOD 1973-1977.

3. ARTHUR ANDERSON AND CO. HAS WITHDRAWN ITS ENDORSEMENT
OF INTERNATIONAL BANK'S FINANCIAL STATEMENTS FOR THE YEARS
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IN QUESTION AND WILL SUBSTITUTE A QUALIFIED OPINION BASED
ON ADJUSTMENTS RESULTING FROM BANK'S DIFFICULTIES. PRICE
WATERHOUSE AND CO, MERCANTILE BANK'S ACCOUNTANT, HAS ALSO
WITHDRAWN ITS OPINION ON THE BANK'S FINANCIAL STATEMENTS
FOR THE PAST FOUR YEARS.

4. MERCANTILE BANK'S LIQUIDATION DOES NOT AFFECT CAYMAN

ISLAND BANK OF SAME NAME, ALSO A SUBSIDIARY OF INTERNATIONAL BANK, WHICH IS DESCRIBED AS A HEALTHY FINANCIAL INSTITUTION.

5. INTERNATIONAL BANK ESTIMATES THAT LOSSES COULD RUN AS HIGH AS DOLLARS 7.5 MILLION. INTERNATIONAL INDICATED THAT RESTATEMENT OF PROFITS REFLECTS REVERSAL OF INTEREST INCOME ON CERTAIN PARTY LOANS AND HINTED THAT LAWSUITS MAY BE FILED TO RECOVER LOSSES FROM UNNAMED PARTIES.

6. ARTICLE MENTIONS CLOSURE OF CASTLE TRUST UNDER CLOUD OF SCANDLE BUT SAYS THERE IS NO EVIDENCE THAT MERCANTILE'S CLOSURE IS RELATED IN ANY WAY. INTERNATIONAL DESCRIBES ITS ACTION AS VOLUNTARY AND SAYS THAT BAHAMIAN BANK AUTHORITIES WERE NOT INVOLVED IN ITS DECISION.

7. FULL TEXT OF ARTICLE BEING POUCHED. VANCE

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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
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Control Number: n/a
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Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
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